

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EUR-12 IO-10 ISO-00 L-03 FRB-03

OMB-01 TAR-01 SP-02 AGR-05 AID-05 CIAE-00 COME-00

INR-07 LAB-04 NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00

CIEP-01 CEA-01 EA-07 NEA-10 /099 W

----- 105906

R 181857Z AUG 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3910

INFO AMEMBASSY ACCRA

AMEMBASSY ABIDJAN

AMEMBASSY BERN

AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY LAGOS

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY SANTIAGO

AMEMBASSY YAOUNDE

USMISSION GENEVA

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY STOCKHOLM

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E.O. 11652: N/A

TAGS: ETRD EAGR

SUBJECT: COCOA: PREPCON AND CONSUMER CAUCUS

REF: LONDON 12719

1. SUMMARY: PLENARY SESSION OF COCOA PREPCON MET FOR
LESS THAN ONE HOUR ON THURSDAY, AUGUST 14, 1975. MEETING
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THEN BROKE INTO CONSUMER AND PRODUCER GROUPS WHICH MET

FOR REMAINDER OF DAY AND CONTINUED ALL OF FRIDAY. CONSUMER CAUCUS BASED WORK ON AIDE MEMOIRE PRODUCED AT FIRST PREPCON, GENERALLY FOLLOWING EXPECTED COURSE WITH MINIMAL NOVEL DEVELOPMENTS. DISSATISFACTION WITH CURRENT AGREEMENT APPARENT AMONG MANY CONSUMERS, PARTICULARLY FRENCH, SWISS, FRG, UK AND NETHERLANDS. NEVERTHELESS, CONSUMERS VERY CAUTIOUS ABOUT ENTERTAINING PROPOSALS FOR RADICAL CHANGE. END SUMMARY.

2. PLENARY SESSION OF PREPCON ON THURSDAY, AUGUST 14 WAS SUSPENDED AFTER BRIEF FORMAL SESSION TO PERMIT CONSUMERS AND PRODUCERS TO MEET SEPARATELY.

3. IN CONSUMER CAUCUS, NO EFFORT WAS MADE TO DEVELOP A FORMAL, JOINT NEGOTIATING POSITION, BUT USEFUL INTERCHANGES INDICATED BROAD CONSUMER CONSENSUS ON KEY ISSUES, WITH MAJOR POINTS AS FOLLOWS:

A. EXCHANGE EARNINGS-FARMER INCOME LINKAGE. CONSUMERS AGREED WITH USDEL VIEW THAT CLOSER LINKAGE BETWEEN EXPORT EARNINGS AND FARMER INCOME DESIRABLE. HOWEVER, MOST FELT THAT CONSUMER EFFORTS TO INCORPORATE SUCH A PROVISION IN AGREEMENT WOULD BE RESISTED BY PRODUCERS AS UNWARRANTED INTERFERENCE IN THEIR DOMESTIC AFFAIRS. MATTER WAS LEFT PENDING WITH NOTION THAT IT WOULD BE WORTHWHILE TO COME UP WITH SOME SORT OF INDUCEMENT SHORT OF TRYING TO WRITE DIRECT REQUIREMENT INTO NEW AGREEMENT.

B. INDEXATION AND PRODUCER INTEREST IN REFERENCE TO "REAL EARNINGS." THERE WAS GENERAL AGREEMENT THAT THEOLOGICAL BATTLES OVER THESE CONCEPTS SHOULD BE AVOIDED INsofar AS POSSIBLE AT GENEVA. POINT WAS MADE THAT SUCH BATTLES WOULD BE WASTE OF TIME SINCE INACCEPTABILITY OF INDEXATION TO CONSUMERS ALREADY MADE CLEAR.

C. PRICE RANGES. CONSENSUS WAS EVIDENT ON NEED TO WIDEN THE PRICE RANGE IN THE AGREEMENT IN ORDER TO PERMIT A MORE SIGNIFICANT ROLE FOR MARKET FORCES. AGREEMENT MECHANISMS SHOULD OPERATE ONLY TO CHECK FLUCTUATIONS NEAR THE TOP AND BOTTOM OF THE WIDE RANGE SO AS TO PREVENT A COLLAPSE IN THE AGREEMENT IF TOO MANY SIMULTANEOUS ACTIONS TRIGGERED. THE USDEL QUESTIONED THE NEED LIMITED OFFICIAL USE

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FOR A SPECIFIC PRICE RANGE SET FORTH IN THE AGREEMENT ITSELF, AS IN PRESENT AGREEMENT. THE CHAIRMAN (UK, CUTLER) DREW A PARALLEL BETWEEN THIS IDEA AND THE PROCEDURE USED IN THE COFFEE AGREEMENT IN WHICH THE COUNCIL WAS ENTRUSTED WITH SETTING PRICE BRACKETS. OTHER COMMENTS CENTERED ON FACT THAT PRODUCERS DESIRE PRICES WRITTEN INTO THE AGREEMENT AS AN INSURANCE POLICY AGAINST DISASTER PRICE LEVELS AND AS COLLATERAL FOR OBTAINING

LOANS FROM INTERNATIONAL FINANCIAL INSTITUTIONS. FRANCE
SUGGESTED A PRICE RANGE OF 40 PERCENT ABOVE AN AGREED
MINIMUM. THE USDEL POINTED OUT THE US REQUIREMENTS THAT
AN AGREEMENT BE WORKABLE, PROVIDE IMPORTERS WITH RECIPRO-
CAL BENEFITS AND HAVE A PRICE CONCEPT EQUITABLE TO BOTH
IMPORTERS AND EXPORTERS. IN CONTEXT OF DISCUSSION OF
PRICE PROVISIONS, THE FRENCH DELEGATE (GALLOT) STATED
QUOTE THE 1972 AGREEMENT DOES NOT MEET OUR ASPIRATIONS OR
NEEDS, WE HAVE ONLY PUT UP WITH IT UNQ//UOTE.
D. INCREASED PRODUCTION VIA REALISTIC QUOTAS. ON THE
ISSUE OF QUOTA REVISIONS TO TAKE ACCOUNT OF CHANGED CIR-
CUMSTANCES, THE U.S. JOINED OTHER CONSUMERS IN THE CAUCUS
ON AGREEING ON THE NEED FOR PROVISION IN THE AGREEMENT TO
REWARD THOSE PRODUCERS WHO EXPAND PRODUCTION, I.E., TO

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MAKE QUOTAS AN ACCURATE REFLECTION OF TRENDS. FRANCE IN PARTICULAR STRESSED THE NEED FOR IMPORTERS TO BE FIRM ON THIS POINT IN ORDER THAT PRODUCERS WHO HAVE LET THEIR PRODUCTION DECLINE BECOME AWARE THAT THEY MUST EARN THEIR MARKET SHARE THROUGH THE SUPPLY OF SUFFICIENT COCOA. (NOTE: POLITICAL ISSUE HERE IS INTEREST CONFLICT BETWEEN STATUS QUO PRODUCERS, E.G. GHANA, AND RISING PRODUCERS SUCH AS BRAZIL AND IVORY COAST. FRANCE OBVIOUSLY SUPPORTS LIMITED OFFICIAL USE

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TIVE OF IVORY COAST, ASSOCIATED ITSELF WITH U.S. REVIEW OF PRODUCTION-EXPORT QUOTA SITUATION.)
E. SHORTFALLS AND UNDER SHIPMENTS. THE NEED FOR AN UNDER-SHIPMENT PENALTY PROVISION WAS ONLY BRIEFLY TOUCHED UPON BUT SEEMS TO HAVE GENERAL IMPORTER SUPPORT WITH THE EXCEPTION OF COLOMBIA, WHICH SPECIFICALLY OPPOSED (OBVIOUSLY THINKING MORE OF ITS INTERESTS AS A COFFEE EXPORTER THAN AS A COCOA IMPORTER).
F. USE OF BUFFER STOCK FUNDS. A CONSERVATIVE CONCEPT OF THE BUFFER STOCK FUND APPEARS TO PREVAIL AMONG IMPORTERS. INVESTMENT OF FUNDS IN PRODUCING COUNTRIES HAS NO SUPPORT AMONG IMPORTING MEMBERS, EVEN IF DESIGNED TO EXPAND PRODUCTION. ANY PRODUCER IDEAS OR ALTERNATE USES OF BUFFER STOCK MONEY (NOW \$55 MILLION) WILL ENCOUNTER SEVERE FRG OPPOSITION, PROBABLY JOINED BY SEVERAL OTHERS. CAUTIOUS USDEL EFFORTS TO DRAW OUT OTHERS ON RADICALLY CHANGING BUFFER STOCK CONCEPT NOT SUCCESSFUL. OTHER CONSUMERS--PARTICULARLY THE FRG--CONTINUE TO THINK ALONG TRADITIONAL LINES.
G. BUFFER STOCK SIZE. CONSIDERABLE DISCUSSION TOOK PLACE OVER THE SIZE OF THE BUFFER STOCK, WITH THE FRG, THE EC, FRANCE, SWEDEN AND CANADA PARTICIPATING. CONSUMERS GENERALLY OPPOSED ANY INCREASE IN THE STOCK ABOVE THE CURRENT 250,000 METRIC TON LIMIT; ALTHOUGH FRANCE SUGGESTED A LARGER STOCK MAY BE IN IMPORTER INTEREST SINCE OVERHANG EFFECT WOULD TEND TO DAMPEN PRICE INCREASES.
H. LDC CONSUMER BUFFER STOCK LEVY EXEMPTION PROPOSAL. COLOMBIA AND PERU SUPPORTED THE CHILEAN PROPOSAL TO RELIEVE LDC IMPORTING MEMBERS FROM THE REQUIREMENT TO CONTRIBUTE TO THE BUFFER STOCK ON IMPORTS FROM NONMEMBERS (ARTICLE 39). THE EC REPRESENTATIVE AND FRG DELEGATE

STRONGLY OPPOSED.

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4. A LENGTHY DISCUSSION COVERED A COMPLICATED SWISS PROPOSAL FOR A SERIES OF BI-LATERAL PURCHASE AND SUPPLY COMMITMENTS TIED TO DISCOUNTED PRICES FOR SALES TO COCOA AGREEMENT MEMBERS. SYSTEM DESIGNED TO COVER ABOUT 50 PERCENT OF COCOA TRADE AMONG MEMBERS. THE DISCUSSION LIMITED OFFICIAL USE

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SURFACED MARKED CRITICISM, OBJECTIONS, QUESTIONS AND DOUBTS CONCERNING ITS FEASIBILITY. THE USDEL QUESTIONED THE APPARENT RIGIDITY, COMPLEXITY AND GOVERNMENT INTERFERENCE IN THE MARKET IMPLICIT IN THE SWISS DOCUMENT. THE FRG DEL POINTED OUT THAT THE MARKET NOT COVERED BY THE PROPOSED SYSTEM WOULD BECOME EVEN MORE VOLATILE. AT THE END OF THE DISCUSSION THE SWISS DELEGATE ADMITTED HIS IDEA MAY BE MORE APPROPRIATE TO A THIRD COCOA AGREEMENT THAN TO THE NEGOTIATIONS FOR A SECOND.

5. DURING THE ABOVE DISCUSSION THE UK DELEGATE MAY HAVE REVEALED UK SENTIMENT ON THE AGREEMENT WHEN HE SAID QUOTE WE WANT ESSENTIALLY TO LEAVE THE PRESENT AGREEMENT INTACT UNQUOTE. (NOTE: POLITICAL ASPECT AGAIN SURFACES HERE IN UK SUPPORT OF GHANA VERSUS DYNAMIC PRODUCERS LIKE IVORY COAST AND BRAZIL.)

6. THE UK AGREED TO DRAW UP A LIST OF CONSUMER MEMBER AREAS OF CONCERN WITH THE AGREEMENT TO PRESENT TO THE PREPCON, SOMEWHAT AS A WARNING TO PRODUCERS THAT CONSUMING MEMBERS ARE NOT REPEAT NOT COMPLETELY SATISFIED WITH THE AGREEMENT AS IT NOW STANDS.

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Message Attributes

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